GOVERNMENT OF INDIA
STATISTICS AND PROGRAMME IMPLEMENTATION
LOK SABHA

UNSTARRED QUESTION NO:2855
ANSWERED ON:03.08.2016
Computation of National Income
Singh Shri Hukum

Will the Minister of STATISTICS AND PROGRAMME IMPLEMENTATION be pleased to state:

(a) whether there are three ways to compute National income but they differ due to different sources of data and if so, the details thereof;

(b) whether there are discrepancies in the recent Q4 (Jan.-Mar.) 2015 GDP estimates and if so, the details thereof and reasons therefor; and

(c) whether if those discrepancies had not been there, real growth would have been much less, if so, the details thereof and the comments of the Government thereupon ?

Answer

MINISTER OF STATISTICS AND PROGRAMME IMPLEMENTATION
(SHRI D. V. SADANANDA GOWDA)

(a): Yes, Madam. National Income in terms of GDP is computed by three approaches, Production, Income and Expenditure. In case of all goods and services produced for the market, Production approach is adopted where total value of input is subtracted from total value of output. In case of goods and services produced without reference to market operation, as often done by the Government, Income approach is adopted where the value addition is obtained by summation of compensation of employees and depreciation (consumption of fixed capital). GDP is also estimated from expenditure side, i.e. by estimation of final consumption expenditure of households and government, capital formation, imports and exports. There will be differences in GDP numbers computed by the three approaches, due to infirmities in the underlying data.

(b): Yes, Madam. Although, conceptually the three approaches of computing GDP has to lead to the same number, this does not emerge naturally from data compilations because of wide disparity of data sources, differences in coverage, valuation and lags in recording. Any error in any source will lead to a difference between at least two of the GDP measures. The error, technically known as 'discrepancy' is attached to the variant of GDP that is least accurate. In India, data used in Production approach is firmer and those that are used in Expenditure approach are least accurate. Hence, the discrepancy is shown in the expenditure side for the purpose of matching. The discrepancy in Q4 (Jan-March) 2015-16 GDP estimates was Rs.1,43,210 crores at current prices.

(c): No, Madam. GDP growth is derived through Production approach, for the above reasons.

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